

ACO notifications should avoid any such implications.

(iii) From the time the ACO determines that there are any significant MMAS deficiencies until the time the deficiencies are corrected, all field pricing reports for that contractor must contain a recommendation relating to proposed adjustments necessary to protect the Government's interests.

(iv) The ACO should consider the effect of any significant MMAS deficiencies in reviews of the contractor's estimating system (see 215.407-5).

(4) *Reductions or disallowances.* (i) When the ACO determines the MMAS deficiencies have a material impact on Government contract costs, the ACO must reduce progress payments by an appropriate percentage based on affected costs (in accordance with FAR 32.503-6) and/or disallow costs on vouchers (in accordance with FAR 42.803). The reductions or disallowances must remain in effect until the ACO determines that—

- (A) The deficiencies are corrected; or
- (B) The amount of the impact is immaterial.

(ii) The maximum payment adjustment is the adverse material impact to the Government as specified in the MMAS report. The ACO should use the maximum adjustment when the contractor did not submit a corrective action plan with its response, or when the plan is unacceptable. In other cases, the ACO should consider the quality of the contractor's corrective action plan in determining the appropriate percentage.

(iii) As the contractor implements its accepted corrective action plan, the ACO should reinstate a portion of withheld amounts commensurate with the contractor's progress in making corrections. However, the ACO must not fully reinstate withheld amounts until the contractor corrects the deficiencies, or until the impact of the deficiencies become immaterial.

(5) *Monitoring contractor's corrective action.* The ACO and the auditor must monitor the contractor's progress in correcting deficiencies. When the ACO determines the deficiencies have been corrected, the ACO must notify the contractor in writing. If the contractor fails to make adequate progress, the

ACO must take further action. The ACO may—

- (i) Elevate the issue to higher level management;
- (ii) Further reduce progress payments and/or disallow costs on vouchers;
- (iii) Notify the contractor of the inadequacy of the contractor's cost estimating system and/or cost accounting system; and
- (iv) Issue cautions to contracting activities regarding the award of future contracts.

#### **242.7204 Contract clause.**

Use the clause at 252.242-7004, Material Management and Accounting System, in all solicitations and contracts exceeding the simplified acquisition threshold that are not for the acquisition of commercial items and—

- (a) Are not awarded to small businesses, educational institutions, or nonprofit organizations; and
- (b) Are either—
  - (1) Cost-reimbursement contracts; or
  - (2) Fixed-price contracts with progress payments made on the basis of costs incurred by the contractor as work progresses under the contract.

### **Subpart 242.73—Contractor Insurance/Pension Review**

#### **242.7301 General.**

(a) The administrative contracting officer (ACO) is responsible for determining the allowability of insurance/pension costs in Government contracts and for determining the need for a Contractor/Insurance Pension Review (CIPR). Defense Contract Management Agency (DCMA) insurance/pension specialists and Defense Contract Audit Agency (DCAA) auditors assist ACOs in making these determinations, conduct CIPRs when needed, and perform other routine audits as authorized under FAR 42.705 and 52.215-2. A CIPR is a DCMA/DCAA joint review that—

- (1) Provides an in-depth evaluation of a contractor's—
  - (i) Insurance programs;
  - (ii) Pension plans;
  - (iii) Other deferred compensation plans; and
  - (iv) Related policies, procedures, practices, and costs; or